

Position Statement

- 1) The CalPERS Investment Committee is deeply concerned over the atrocities and human rights violations occurring in Sudan. CalPERS has and will continue to exercise leadership in addressing this critical issue.
- 2) It has been suggested that companies that do business in Sudan may thereby be unwittingly furthering or condoning the egregious human rights violations that are occurring in Sudan. A company associated with the atrocities taking place in Sudan poses a serious risk to creating sustainable and responsible long-term value.
- 3) CalPERS believes that constructive engagement is the most powerful tool investors can use to effect change at those portfolio companies whose corporate governance, social, or environmental practices could lead to value destruction. Divestment is a tool that must be used sparingly and in unique circumstances. By its nature, divestment has a fiscal cost. Further, we lose our voice when we are no longer owners.
- 4) No definitive list of companies doing business in Sudan currently exists. We strongly urge the Federal Government to take responsibility for publishing a list for all shareowners, because it is the one credible centralized source with the capability of understanding national security and human rights implications of company operations as well as directing appropriate prohibitions and sanctions against these companies. In June 2005, CalPERS and 49 other institutional investors formally urged the U.S. Department of State, the U.S. Department of Commerce, the U.S. Department of the Treasury, and the U.S. Securities and Exchange to provide guidance on this matter. Although the federal government has not yet provided the requested guidance, CalPERS will continue to urge them to do so.
- 5) CalPERS notes that we currently own none of the securities in the nine companies from which the Regents of the University of California voted on March 16, 2006 to divest subject to indemnification. Companies identified by UC for divestment were defined as those which were clearly shown to be providing monetary or military support to the Sudan government, while showing little or no interest in the violence in Darfur or in helping to improve the welfare of the Sudanese people. On April 6, 2006, CalSTRS approved a motion stating that "It is the intent of the Board to move forward to divest its holdings from companies identified as doing business with the Government of Sudan, taking into consideration the same general criteria utilized by the UC Regents and subject to the investment staff determining that such action would be prudent and consistent with the System's fiduciary duties and that suitable alternative investments would be available. . . . Such action would be subject to the indemnification of the Board members, consistent with the indemnification of the UC Regents."

- 6) With respect to securities we may own in additional companies identified as doing business in Sudan, CalPERS strongly believes the best course of action is a strategy of constructive engagement. This engagement is designed to understand the extent and implications of the company's presence in Sudan, determine the impact of the company on human rights in Sudan, and urge companies to work with pertinent entities to bring an end to human rights violations in Sudan.
- 7) CalPERS' constructive engagement plan is consistent with Assembly Concurrent Resolution 11 (Dymally) (ACR 11), supported by the CalPERS board and adopted by the Legislature in 2005, which encouraged CalPERS and CalSTRS, within their fiduciary responsibilities, to encourage companies in which employee retirement funds are invested that are doing business in Sudan to act responsibly and not take actions that promote or otherwise enable human rights violations in Sudan. CalPERS has and will continue to actively collaborate with other institutional investors to take advantage of our collective voice as shareowners.